

**Mentor Township
Oscoda County, Michigan
Financial Report
With Supplemental Information
June 30, 2008**

Mentor Township

Table of Contents

Page

Independent Auditor's Report

1

Management's Discussion and Analysis

2-7

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets

8

Statement of Activities

9

Fund Financial Statements:

Governmental Funds:

Balance Sheet

10

Statement of Revenues, Expenditures,
and Changes in Fund Balances

11

Fiduciary Funds:

Statement of Net Assets

12

Statement of Changes in Net Assets

13

Notes to Financial Statements

14-21

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

22

Budgetary Comparison Schedule - Fire Fund

23

Budgetary Comparison Schedule - Road Fund

23

Other Supplemental Information

General Fund - Detail of Revenues - Budget and Actual

24

General Fund - Detail of Expenditures - Budget and Actual

25

Statement of Changes in Assets and Liabilities - All Agency Funds

26



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

INDEPENDENT AUDITOR'S REPORT

Township Board
Mentor Township
Oscoda County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mentor Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
November 11, 2008

Management's Discussion and Analysis

As management of Mentor Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$573,789 (*net assets*). Of this amount, \$87,887 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations. The amounts of restricted net assets are as follow: Fire Protection \$158,418, and Road Maintenance and Improvement \$103,470.
- The Township's total net assets decreased by \$19,727.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$87,887, a decrease of \$48,468 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$87,887 or 42% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and other. The Township does not have any business-type activities as of and for the year ended June 30, 2008.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Road Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$573,789 at the close of the most recent fiscal year.

A portion of the Township's net assets (39%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment). The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

Governmental Activities			
	June 30, 2007	June 30, 2008	
Assets			
Current and Other Assets	\$ 387,581	\$ 349,775	
Capital Assets, Net	205,935	224,014	
Total Assets	<u>593,516</u>	<u>573,789</u>	
Liabilities			
Current Liabilities	-	-	
Total Liabilities	<u>-</u>	<u>-</u>	
Net Assets:			
Invested in Capital Assets	205,935	224,014	
Unrestricted	136,355	87,887	
Restricted for Fire Protection	168,654	158,418	
Restricted for Road Maintenance/Improvement	<u>82,572</u>	<u>103,470</u>	
Total Net Assets	\$ <u>593,516</u>	\$ <u>573,789</u>	

The Township's net assets decreased by \$19,727 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$48,468 or 36%, during fiscal year ended June 30, 2008.

Township's Changes in Net Assets

Governmental Activities	June 30, 2007	June 30, 2008
Revenue:		
Program Revenue:		
Charges for Services	\$ 19,239	\$ 15,814
Operating Grants and Contributions	20,279	18,581
General Revenue:		
Property Taxes	85,626	105,299
State-Shared Revenues	86,447	86,325
Interest and Rent Earnings	13,808	13,691
Other	6,828	8,428
Total Revenue	<u>232,227</u>	<u>248,138</u>
Expenses		
General Government	115,718	115,096
Public Safety	37,619	49,384
Public Works	40,368	91,570
Other	5,203	5,315
Infrastructure Depreciation	5,249	6,500
Total Expenses	<u>204,157</u>	<u>267,865</u>
Increase (Decrease) in Net Assets	28,070	(19,727)
Net Assets, Beginning of Year	<u>565,446</u>	<u>593,516</u>
Net Assets, End of Year	<u>\$ 593,516</u>	<u>\$ 573,789</u>

Governmental activities. The Township's total governmental revenues increased by \$15,911 from last fiscal year. This was primarily attributed to an increase in property taxes and other revenue. Expenses increased by \$63,708. The increase was primarily due to increased public works.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$349,775, a decrease of \$37,806 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount or \$349,775.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 42% and total fund balance represents 42% of total general fund expenditures.

The fund balance of the General Fund decreased by \$48,468 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire and Road Funds. Each of the budgeted funds was amended during the year.

Capital Asset Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$224,014 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, equipment, and infrastructure. Additions totaled \$31,873 for the fiscal year ended June 30, 2008 with the largest items being fire department equipment.

Township's Capital Assets (net of depreciation)

	June 30, 2007	June 30, 2008
Land	\$ 12,913	\$ 12,913
Land Improvements	12,124	11,451
Buildings	21,181	18,542
Buildings - Fire Department	12,160	15,983
Equipment - Fire Department	13,085	42,193
Furniture and Equipment	8,758	6,718
Infrastructure	<u>122,714</u>	<u>116,214</u>
Total	\$ <u>202,935</u>	\$ <u>224,014</u>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2008-2009 fiscal year:

- Mentor Township, for the General Fund, has projected revenues to be approximately the same as the 2007-08 year. Expenditures are anticipated to be less than the 2007-08 year due to a reduction in Public Works. Our budgets were prepared with these factors in mind and will need to be revised as needed.
- Mentor Township, for the Fire Fund, has projected revenues to be approximately the same as the 2007-08 year, while expenses are projected to decrease for costs in the McKinley and Tri-Twp Departments.
- Mentor Township, for the Road Fund, as projected revenues to be approximately the same as the 2007-08 year, expenses will be slightly more due to an increase in road improvements.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mentor Township
P.O. Box 730
Mio, Michigan 48647-0730

Basic Financial Statements

Mentor Township
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 345,710
Due from fiduciary fund	4,065
Receivables: (Note 4)	
Other	-
Intergovernmental	-
Capital assets-net (Note 5)	<u>224,014</u>
Total assets	<u>573,789</u>
 Liabilities	
Accounts payable	-
Intergovernmental payables	<u>-</u>
Total liabilities	<u>-</u>
 Net Assets	
Invested in capital assets	224,014
Unrestricted	87,887
Restricted for Fire Protection	158,418
Restricted for Road Maintenance and Improvement	<u>103,470</u>
Total net assets	\$ <u><u>573,789</u></u>

See accompanying notes to financial statements.

Mentor Township
Statement of Activities
Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 115,096	\$ 15,814	\$ -	\$ (99,282)
Public safety	49,384	-	-	(49,384)
Public works	91,570	-	18,581	(72,989)
Other	5,315	-	-	(5,315)
Infrastructure depreciation	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>(6,500)</u>
Total governmental activities	<u>\$ 267,865</u>	<u>\$ 15,814</u>	<u>\$ 18,581</u>	<u>(233,470)</u>
General Revenues:				
Property taxes - operating				51,268
Property taxes - fire				54,031
State-shared revenues				86,325
Interest and investment earnings				13,691
Other				<u>8,428</u>
Total general revenues				<u>213,743</u>
Change in Net Assets				<u>(19,727)</u>
Net assets - beginning of year				<u>593,516</u>
Net assets - end of year				<u>\$ 573,789</u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds \$ (37,806)

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$ (13,794)	
Capital outlay	<u>31,873</u>	
		<u>18,079</u>

Change in Net Assets of Governmental Activities \$ (19,727)

See accompanying notes to financial statements.

Mentor Township
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 91,871	\$ 155,519	\$ 98,320	\$ 345,710
Accounts receivable	-	-	-	-
Due from other funds	4,007	2,899	5,150	12,056
Due from other governmental units	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 95,878</u>	<u>\$ 158,418</u>	<u>\$ 103,470</u>	<u>\$ 357,766</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,991	-	-	7,991
Due to other governments	-	-	-	-
Total liabilities	<u>7,991</u>	<u>-</u>	<u>-</u>	<u>7,991</u>
Fund balances				
Unreserved:				
Undesignated:				
General Fund	87,887	-	-	87,887
Special Revenue Funds	-	158,418	103,470	261,888
Total fund balances	<u>87,887</u>	<u>158,418</u>	<u>103,470</u>	<u>349,775</u>
Total liabilities and fund balances	<u>\$ 95,878</u>	<u>\$ 158,418</u>	<u>\$ 103,470</u>	<u>\$ 357,766</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 349,775
Elimination of due to and due from governmental funds	
Due to	7,991
Due from	(7,991)
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	320,057
Accumulated depreciation is	(96,043)
Net Assets of Governmental Activities	<u>\$ 573,789</u>

See accompanying notes to financial statements.

Mentor Township
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2008

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 51,268	\$ 54,031	\$ -	\$ 105,299
Licenses and permits	2,701	-	-	2,701
Federal grants	-	-	18,581	18,581
State grants	86,325	-	-	86,325
Charges for services	13,113	-	-	13,113
Interest and rentals	3,519	6,204	3,968	13,691
Other revenue	4,094	125	4,209	8,428
Total revenues	<u>161,020</u>	<u>60,360</u>	<u>26,758</u>	<u>248,138</u>
Expenditures				
Current:				
General government	111,805	-	-	111,805
Public safety	7,280	38,723	-	46,003
Public works	85,088	-	5,860	90,948
Other	5,315	-	-	5,315
Capital outlay	-	31,873	-	31,873
Total expenditures	<u>209,488</u>	<u>70,596</u>	<u>5,860</u>	<u>285,944</u>
Excess of Revenues Over (Under)				
Expenditures	(48,468)	(10,236)	20,898	(37,806)
Fund balance - July 1, 2007	<u>136,355</u>	<u>168,654</u>	<u>82,572</u>	<u>387,581</u>
Fund balance - June 30, 2008	<u>\$ 87,887</u>	<u>\$ 158,418</u>	<u>\$ 103,470</u>	<u>\$ 349,775</u>

See accompanying notes to financial statements.

Mentor Township
Fiduciary Funds
Statement of Net Assets
June 30, 2008

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
Assets		
Cash	\$ -	\$ 5,741
Investments - at fair value	67,518	-
Due from other funds	-	-
	<u> </u>	<u> </u>
Total assets	\$ <u><u>67,518</u></u>	\$ <u><u>5,741</u></u>
 Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	-	4,065
Due to other governments	-	1,676
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	\$ <u><u>5,741</u></u>
 Net Assets - Held in Trust for Pension Benefits	 \$ <u><u>67,518</u></u>	

See accompanying notes to financial statements.

Mentor Township
Fiduciary Fund
Statement of Changes in Net Assets
Year ended June 30, 2008

	Trust Fund- Pension Fund
Additions	
Contributions	
Employer	\$ 3,797
Investment earnings	<u>2,334</u>
Total Additions	6,131
 Deductions	
Administrative expenses	190
Benefits	<u>1,795</u>
Total deductions	<u>1,985</u>
 Net increase	4,146
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>63,372</u>
End of the year	\$ <u><u>67,518</u></u>

See accompanying notes to financial statements.

Mentor Township
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mentor Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire fund is used to record property tax revenue, interest earnings and other revenue restricted for providing fire protection services.

The Road Fund is used to record Federal Grants and interest earnings that are restricted for use on Township Roads.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mentor Township
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the Township was \$44,826,835. The 2007 tax levy was .8259 mills for general operating purposes raising \$37,022 for general operating purposes and 1.2058 mills for fire protection raising \$54,052 for fire protection purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Office furnishings	5-20 years
Other equipment	5-20 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any designated fund balance in the operating fund at June 30, 2008.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Mentor Township
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. There were no budget amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Public Works:			
Street Lighting	\$ 10,391	\$ 12,321	\$ 1,930
Sewer and Water	7,015	67,509	60,494
Road:			
Public Works	5,820	5,860	40

Mentor Township
Notes to Financial Statements
June 30, 2008

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Mentor Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Mentor Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 345,710	\$ 5,741	\$ 351,451
Investments	-	67,518	67,518
Total	<u>\$ 345,710</u>	<u>\$ 73,259</u>	<u>\$ 418,969</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 351,451
Investments	67,518
	<u>\$ 418,969</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$109,153 is covered by federal depository insurance.

The only investments are in the Pension Fund. These investments do not allow risk categorization.

The Township has not updated its investment policy to conform with Governmental Accounting Standards Board Statement (GASB) #40.

Mentor Township
Notes to Financial Statements
June 30, 2008

Note 4 - Receivables

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

	General Fund	Fire Fund	Road Fund	Fiduciary Fund	Total
Receivables:					
Other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue at June 30, 2008.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 12,913	\$ -	\$ -	\$ 12,913
Capital assets being depreciated:				
Land improvements	1,700	-	-	1,700
Land improvements - Transfer site	11,766	-	-	11,766
Buildings	40,151	-	-	40,151
Buildings - Fire Department	30,623	-	-	30,623
Buildings - Transfer site	675	-	-	675
Equipment - Fire Department	26,166	31,873	-	58,039
Furniture & equipment	34,207	-	-	34,207
Infrastructure	129,983	-	-	129,983
Subtotal	<u>275,271</u>	<u>31,873</u>	<u>-</u>	<u>307,144</u>
Accumulated Depreciation				
Land improvements	312	85	-	397
Land improvements - Transfer site	1,030	588	-	1,618
Buildings	21,028	1,166	-	22,194
Buildings - Fire Department	14,024	616	-	14,640
Buildings - Transfer site	56	34	-	90
Equipment - Fire Department	13,081	2,765	-	15,846
Furniture & equipment	25,449	2,040	-	27,489
Infrastructure	7,269	6,500	-	13,769
Subtotal	<u>82,249</u>	<u>13,794</u>	<u>-</u>	<u>96,043</u>
Net capital assets being depreciated	<u>193,022</u>	<u>18,079</u>	<u>-</u>	<u>211,101</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 205,935</u>	<u>\$ 18,079</u>	<u>\$ -</u>	<u>\$ 224,014</u>

Mentor Township
Notes to Financial Statements
June 30, 2008

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,291
Public safety	3,381
Public works	622
Infrastructure	6,500
Total governmental activities	<u>\$ 13,794</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		Amount
General Fund	\$ 4,007	General Fund	\$	7,991
Fire Fund	2,899	Fiduciary Funds		4,065
Road Fund	5,150			
Total	<u>\$ 12,056</u>	Total	\$	<u>12,056</u>
<u>Transfers In</u>		<u>Transfers Out</u>		
None	\$ -	None	\$	-

Note 7 - Risk Management

Mentor Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Mentor Township provides pension benefits for the Township Board through a defined contribution plan. The plan is administered by Municipal Retirement Systems, Inc. which invests the Township's contributions with Gleaner Life Insurance Society. The investments consist of individual retirement annuities and totaled \$67,518 as of June 30, 2008.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan requires the Township to contribute 7.5% of the participant earnings and does not allow participants to make contributions. The Township's contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended June 30, 2008 was approximately \$73,306. The payroll of the eligible participants was \$48,093; the Township made the required contribution of \$3,607. The administrative fee of \$190 was paid in addition to the required contribution.

Mentor Township
Notes to Financial Statements
June 30, 2008

Note 8 - Pension Plan (Continued)

No pension provision changes occurred during the year that affected the required contributions to be made by the Township . The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Note 9 - Joint Venture - Utility Authority

The Township is a participant in a joint venture with Big Creek Township. The Big Creek - Mentor Utility Authority operates and maintains a water and sewer system. Each of the townships appoint two members to the Utility Authority Board, these four members then appoint the fifth member from the residents of the two townships. Mentor Township has a 50 percent interest in the venture.

At March 31, 2008, the date of the most recent available financial statements, the Utility Authority had assets of \$8,673,880 which consisted of cash and receivables totaling \$349,460 and net fixed assets of \$8,324,420. Liabilities were \$2,111,057 and equity was \$6,562,823. Complete separate financial statements for the Utility Authority are available at the Mentor Township offices, 216 10th Street, Mio, Michigan.

Note 10 - Joint Venture - Fire Protection

The Township is a participant in a joint venture, Tri-Town Fire Department, with the Townships of Big Creek and Elmer for the purpose of providing fire protection services to the residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township.

Mentor Township's financial support of the Tri-Town Fire Department is determined on a ratio of Mentor Township's state equalized valuation compared to the total state equalized valuation of all three townships. This percentage for the year ended March 31, 2008 was approximately 25%, and the amount contributed was \$23,603.

The most recent available financial statement of Tri-Town Fire Department shows a cash balance of \$52,641 as of March 31, 2008 and a total of \$416,092 in fixed assets, net of depreciation. The Department has liabilities of \$2,776 and net assets of \$465,957. A complete set of financial statements are available at the office of Tri-Town Fire Department, 1508 11th Street, Mio, Michigan.

Required Supplemental Information

Mentor Township
 Budgetary Comparison Schedule - General Fund
 Year ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual	Variance with
	2008	2008	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
Fund Balance - Beginning of year	\$ 152,908	\$ 152,908	\$ 136,355	\$ (16,553)
Resources (Inflows)				
Taxes and fees	49,900	48,399	51,268	2,869
Licenses and permits	2,300	980	2,701	1,721
Federal grants	-	-	-	-
State grants	82,500	58,486	86,325	27,839
Charges for services	15,100	12,600	13,113	513
Interest and rentals	1,500	913	3,519	2,606
Other	1,500	3,398	4,094	696
Amounts available for appropriation	<u>305,708</u>	<u>277,684</u>	<u>297,375</u>	<u>19,691</u>
Charges to Appropriations (Outflows)				
General government	109,327	115,440	111,805	(3,635)
Public works	24,100	22,665	85,088	62,423
Community/Economic Development	7,740	7,280	7,280	-
Other	5,700	5,315	5,315	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>146,867</u>	<u>150,700</u>	<u>209,488</u>	<u>58,788</u>
Fund Balance - end of year	\$ <u>158,841</u>	\$ <u>126,984</u>	\$ <u>87,887</u>	\$ <u>(39,097)</u>

Mentor Township
Budgetary Comparison Schedule - Fire Fund
Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	2008	2008	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 138,159	\$ 138,159	\$ 168,654	\$ 30,495
Resources (Inflows)				
Taxes and fees	53,100	52,432	54,031	1,599
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	1,200	1,225	6,204	4,979
Other	-	125	125	-
Amounts available for appropriation	<u>192,459</u>	<u>191,941</u>	<u>229,014</u>	<u>37,073</u>
Charges to Appropriations (Outflows)				
Public safety	33,592	46,082	38,723	(7,359)
Capital outlay	<u>10,500</u>	<u>38,364</u>	<u>31,873</u>	<u>(6,491)</u>
Total charges to appropriations	<u>44,092</u>	<u>84,446</u>	<u>70,596</u>	<u>(13,850)</u>
Fund Balance - end of year	<u>\$ 148,367</u>	<u>\$ 107,495</u>	<u>\$ 158,418</u>	<u>\$ 50,923</u>

Mentor Township
Budgetary Comparison - Road Fund
Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	2008	2008	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 121,308	\$ 121,308	\$ 82,572	\$ (38,736)
Resources (Inflows)				
Federal grants	17,000	18,581	18,581	-
State grants	-	-	-	-
Interest and rentals	1,200	203	3,968	3,765
Other	1,800	4,209	4,209	-
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>141,308</u>	<u>144,301</u>	<u>109,330</u>	<u>(34,971)</u>
Charges to Appropriations (Outflows)				
Public works	5,700	5,820	5,860	40
Infrastructure	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>7,700</u>	<u>5,820</u>	<u>5,860</u>	<u>40</u>
Fund Balance - end of year	<u>\$ 133,608</u>	<u>\$ 138,481</u>	<u>\$ 103,470</u>	<u>\$ (35,011)</u>

Supplemental Information

Mentor Township
General Fund
Detail of Revenues - Budget and Actual
Year ended June 30, 2008

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 48,399	\$ 51,268	\$ 2,869
Licenses and permits	980	2,701	1,721
Federal grants	-	-	-
State grants	58,486	86,325	27,839
Charges for services	12,600	13,113	513
Interest and rentals	913	3,519	2,606
Other	3,398	4,094	696
Total Revenues	\$ <u>124,776</u>	\$ <u>161,020</u>	\$ <u>36,244</u>

Mentor Township
General Fund
Detail of Expenditures - Budget & Actual
Year ended June 30, 2008

	Budget as <u>Amended</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures			
Current			
General Government			
Legislative	\$ 4,391	\$ 4,391	\$ -
Supervisor	7,564	7,564	-
Elections	1,292	1,105	187
Assessor	13,959	13,959	-
Legal	4,505	4,505	-
Clerk	12,860	12,860	-
Audit	2,600	2,600	-
Board of Review	800	800	-
Treasurer	23,765	23,764	1
Township Operations	32,949	29,502	3,447
Cemetery	10,755	10,755	-
Total General Government	<u>115,440</u>	<u>111,805</u>	<u>3,635</u>
Public Works			
Street lighting	10,391	12,321	(1,930)
Sewer and Water	7,015	67,509	(60,494)
Recycle/Compost	300	300	-
Transfer site	4,959	4,958	1
Total Public Works	<u>22,665</u>	<u>85,088</u>	<u>(62,423)</u>
Community/Economic Development			
Zoning and Planning	<u>7,280</u>	<u>7,280</u>	<u>-</u>
Other			
Social security	1,518	1,518	-
Pension	3,797	3,797	-
Miscellaneous	-	-	-
Total Other	<u>5,315</u>	<u>5,315</u>	<u>-</u>
Capital Outlay			
Township Operations	-	-	-
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 150,700</u>	<u>\$ 209,488</u>	<u>\$ (58,788)</u>

Mentor Township
Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2008

Current Tax Collection Fund				
	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash	\$ <u>4,877</u>	\$ <u>1,312,986</u>	\$ <u>1,312,122</u>	\$ <u>5,741</u>
Liabilities				
Due to other funds	\$ 3,504	\$ 93,580	\$ 93,019	\$ 4,065
Due to county	901	590,460	590,652	709
Due to schools	472	626,164	625,669	967
Due to utility authority	-	-	-	-
Refunds	<u>-</u>	<u>2,782</u>	<u>2,782</u>	<u>-</u>
Total liabilities	\$ <u>4,877</u>	\$ <u>1,312,986</u>	\$ <u>1,312,122</u>	\$ <u>5,741</u>



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

November 11, 2008

Township Board
Mentor Township
Oscoda County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Mentor Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements

in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPA's, P.C.
Certified Public Accountants
Mio, Michigan



Robert J. Carpenter, CPA
Rodney C. Robertson, CPA

ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

November 11, 2008

To the Township Board
Mentor Township
Mio, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mentor Township for the year ended June 30, 2008, and have issued our report thereon dated November 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 27, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 27, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mentor Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the net book value of fixed assets is based on estimated depreciation lives. We evaluated the key factors and assumptions used to develop the depreciation lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Mentor Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, PC
Certified Public Accountants